

## 6144 - INVESTMENTS

The Superintendent and/or his/her designee shall invest temporarily idle funds in investments that are prescribed by Florida statutes and State Board of Education Rules.

### **Investment Authorization**

The Director of Finance may invest in shares in open end, no load mutual funds which invest primarily in short term government bonds provided such funds are registered under the Federal Investment Company Act of 1940. The mutual fund investment objective must seek a high level of income over the long term consistent with the preservation of capital. Government bonds include securities issued or guaranteed by the U. S. government, as well as securities by its agencies or instrumentalities.

Money Market funds must be operated in accordance with 17 C.F.R. 270.2a-7, which stipulates that money market funds, must have an average weighted maturity of ninety (90) days or less. In addition, the share value of the money market funds must equal to \$1.00.

### **Portfolio Composition**

A maximum of fifty percent (50%) of available funds may be invested in mutual funds and/or money market funds.

### **Limits on Individual Issuers**

A maximum of twenty five percent (25%) of available funds may be invested with only one (1) mutual fund or money market fund.

### **Rating Requirements**

The mutual funds shall be rated AAAF and money market funds; AAm or AAm G or better by Standard & Poor's, or the equivalent by another rating agency.

Each principal shall invest temporarily idle internal account funds in qualified depositories at the best available return.

The School District financial administration procedures shall conform to the applicable State of Florida or Federal statute, regulation and guidance, depending on the fund source, in the area of cash management. For Federal funds, financial administration procedures shall minimize elapsed time between cash draw-down and disbursement.

### **PURPOSE**

The purpose of this policy is to set forth the investment objectives and parameters for the management of public funds of the School Board. These policies are designed to enable the prudent management of public funds, the availability of operating and capital funds when needed, and an investment return competitive with comparable funds and financial market indices.

### **SCOPE**

In accordance with F.S. 218.415, this investment policy applies to all cash and investments held or controlled by the Board with the exception of pension funds, trust funds, and funds related to the issuance of debt where there are other existing policies or indentures in effect for such funds. Funds held by State agencies (e.g., Department of Education) are not subject to the provisions of this policy.

### **DEFINITIONS**

For purposes of this policy, the following definitions shall apply:

- A. "Available monies" means all monies available for investment exclusive of debt proceeds.
- B. "CFO" means the Chief Financial Officer (the "CFO") (or successor in the event of a reorganization) of the School District, or other District authorized representative of a different title acting in an equivalent professional capacity.

- C. "Core funds" means reserves, cash designated for projects and other operating and non-operating purposes which are not debt proceeds and are not expected to be expended within the immediately succeeding twelve (12) months.
- D. "Debt proceeds" means monies that are the proceeds of an issuance of a debt or lease financing.
- E. "Fund" means a pooled investment operated by a professional investment company.
- F. "Money fund index" means weighted average return on nation's largest money funds as reported by iMoneyNet, Crane Data, Standard & Poor's, or other nationally recognized money fund ranking service.
- G. "Monies" means cash and deposits available to the Board.
- H. "Pecuniary factor" means a factor that the Board prudently determines is expected to have a material effect on the risk or returns of an investment based on appropriate investment horizons consistent with applicable investment objectives and funding policy. The term does not include the consideration of the furtherance of any social, political, or ideological interests.
- I. "Portfolio" means investments held by the Board.
- J. "Qualified public depository" means a bank, credit union, savings bank, or savings association meeting the criteria outline in F.S. Chapter 280.
- K. "Rating agency" means S&P, Moody's or Fitch.
- L. "Self-insurance funds" means monies set aside to pay for specific needs in the future based on actuarial assumptions.
- M. "Short-term funds" means operating funds or other monies designated to be spent within twelve (12) months.
- N. "Superintendent" means the District Superintendent.
- O. "Superintendent's designee" means the CFO.

## **INVESTMENT OBJECTIVES**

The investment objectives of the Board, in order of priority, are as follows:

A. Safety of Principal

The foremost objective of this investment program is the safety of the principal of those funds within the portfolios. Investment transactions shall seek to keep capital losses at a minimum, whether they are from securities defaults or erosion of market value. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

B. Maintenance of Liquidity

The portfolios shall be managed in such a manner that funds are available to meet reasonably anticipated cash flow requirements in an orderly manner. Periodical cash flow analyses will be completed in order to ensure that the portfolios are positioned to provide sufficient liquidity.

C. Diversification of Risk

The investment of Board funds shall be diversified whenever possible without negatively affecting the safety of principal and liquidity characteristics. Investment transactions shall seek to keep capital losses at a minimum, whether they are from securities defaults or erosion of market value.

To attain this objective, diversification is a requirement so potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

## RETURN OF INVESTMENT

Investment portfolios shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of least importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low-risk securities in anticipation of earning a fair return relative to the risk being assumed. When deciding whether and when to invest, the Board, the Superintendent, and the Superintendent's designee must make decisions based solely on pecuniary factors and may not subordinate such factors to other objectives, including sacrificing investment return or undertaking additional investment risk to promote any nonpecuniary factor. The weight given to any pecuniary factor must appropriately reflect a prudent assessment of its impact on risk or returns in accordance with F.S. 218.415(24).

## DELEGATION OF AUTHORITY

The Superintendent ~~( )~~ is ~~(X)~~ and the Superintendent's designee are **[END OF OPTION]** authorized to make transfers from financial institution to financial institution or within a financial institution for the purpose of investing or divesting District funds. For the purposes of this policy, the term "financial institution" has the same definition of F.S. 280.02(13).

The Superintendent ~~( )~~ is ~~(X)~~ and the CFO acting as the Superintendent's designee are **[END OF OPTION]** authorized and empowered for and on behalf of the Board, to conduct investment transactions in accounts at financial institutions as provided under Authorized Investment Institutions and Dealers, and conduct other banking/financial transactions in financial institutions designated as Qualified Public Depositories (QPD) in accordance with F.S. 280.02(26).

Accounts at said institutions shall be established by signatures of both the superintendent and the CFO with subsequent notification to the Board. These transactions may be facilitated by electronic fund transfers pursuant to ~~( )~~ Policy 6107V1 Authorization to Accept and Distribute Electronic Records, to Use Electronic Signature, and to Make Electronic Fund Transfers/~~( )~~ Policy 6107V2 Acceptance and Distribution of Electronic Records and Use Electronic Signatures Prohibited.

The Superintendent shall develop administrative procedures that govern and safeguard the establishment of services, and the execution and conduct of investment/banking/financial transactions to, from, and between District accounts consistent with this policy.

Appropriate fidelity bonding will be maintained by the District to cover the Superintendent and other designated staff members who are in any way involved in the movement of District funds from one (1) financial institution account to another.

The Superintendent may employ an investment manager/advisor to assist in the management of the District's investments.

## STANDARDS OF PRUDENCE

The standard of prudence to be used by investment officials shall be the "Prudent Person" standard and shall be applied in the context of managing the overall investment program. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectation are reported to the ~~Board~~ in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy. The "Prudent Person" rule states the following:

~~"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment."~~

While the standard of prudence to be used by investment officials who are officers or employees is the "Prudent Person" standard, any person or firm hired or retained to invest, monitor, or advise concerning these assets shall be held to the higher standard of "Prudent Expert". The standard shall be that in investing and reinvesting moneys and in acquiring, retaining, managing, and disposing of investments of these funds, the contractor shall exercise the judgment, care, skill, prudence, and diligence under the circumstances then prevailing, which persons of prudence, discretion, and intelligence, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims by diversifying the investments of the funds, so as to minimize the risk, considering the probable income as well as the probable safety of their capital.

#### **ETHICS AND CONFLICTS OF INTEREST**

Employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Also, employees involved in the investment process shall disclose to the Board any material financial interests in financial institutions that conduct business with the Board, and they shall further disclose any material personal financial/investment positions that could be related to the performance of the Board's investment program.

#### **INTERNAL CONTROLS AND INVESTMENT PROCEDURES**

The \_\_\_\_\_ school board \_\_\_\_\_ shall establish a system of internal controls and operational procedures that are in writing and made a part of the Board's operational procedures. The internal controls should be designed to prevent losses of funds, which might arise from fraud, employee error, and misrepresentation, by third parties, or imprudent actions by employees. The written procedures should include reference to safekeeping, repurchase agreements, separation of transaction authority from accounting and recordkeeping, wire transfer agreements, banking service contracts, and collateral/depository agreements. No person may engage in an investment transaction except as authorized under the terms of this policy.

Independent auditors as a normal part of the annual financial audit to the Board shall conduct a review of the system of internal controls to ensure compliance with policies and procedures.

#### **CONTINUING EDUCATION**

The \_\_\_\_\_ and other appropriate staff shall annually complete \_\_\_\_\_ eight (8) hours of continuing education in subjects or courses of study related to cash management and/or investment practices and products.

#### **AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS**

Authorized Board staff and investment advisors shall only purchase securities from financial institutions, which are qualified as public depositories by the Treasurer of the State of Florida, institutions designated as "Primary Securities Dealers" by the Federal Reserve Bank of New York, or such other financial institutions (x) recommended by the CFO and [END OF OPTION] approved by the Superintendent with appropriate subsequent notification to the Board.

Investments authorized under the Authorized Investments and Portfolio Composition section below are an exception to this requirement.

Authorized Board staff and investment advisors shall only enter into repurchase agreements with financial institutions that are State qualified public depositories and primary securities dealers as designated by the Federal Reserve Bank of New York.

#### **MATURITY AND LIQUIDITY REQUIREMENTS**

To the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash flow requirements. The maximum maturity listed for individual securities under Authorized Investment in Portfolio Composition below notwithstanding, the maximum maturity of investments shall be limited as follows:

- A. Investments of current operating short term funds shall have maturities of no longer than twenty-four (24) months.
- B. Investments of bond reserves, construction funds, and other non-operating funds ("core funds") shall have a term appropriate to the need for funds and in accordance with debt covenants, but in no event shall exceed five (5) years without prior authorization of the Board.
- C. In the case of monies that are construction proceeds of tax-exempt debt issues, such investments shall not exceed the shorter of three (3) years or the projected project completion date for which they are invested and may be invested in accordance with the governing legal documents for the particular bond issue for which such funds are held. Bond proceeds held as debt service reserve funds may be invested in accordance with the governing legal documents for the particular bond issue for which such funds are held.

In the case of monies that are construction proceeds of tax-exempt debt issues, such investments shall not exceed the shorter of three (3) years or the projected project completion date for which they are invested.

The maturities of the underlying securities of a repurchase agreement will follow the requirements of the master repurchase agreement.

#### **LIMITATION ON CONCENTRATION**

Notwithstanding anything herein to the contrary, at no time shall the Board's investment in any individual fund or pool permitted under Authorized Investment and Portfolio Composition exceed ten percent (10%) of the total net asset value of such fund or pool. Such limitations do not apply to demand deposits with financial institutions designated as qualified public depositories as described in F.S. Chapter 280 Security for Public Deposits.

#### **COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS**

When appropriate, feasible, and practicable, the purchase and sale of investment securities shall be competitively bid. Documentation will be retained for all bids, with the winning bid clearly identified. The competitive bid requirement does not apply to investments authorized under Authorized Investments and Portfolio Composition below, or to the purchase of specific investment securities held by a limited number of dealers, or in situations where a competitive bid will not result in a lower price to the District.

After the \_\_\_\_\_ or the \_\_\_\_\_ has determined the approximate maturity date based on cash flow needs and market conditions and has analyzed and selected one or more optimal types of investments, a minimum of three (3) qualified banks and/or approved broker/dealers must be contacted and asked to provide bids/offers on securities in question. Bids will be held in confidence until the bid deemed to best meet the investment objectives is determined and selected.

However, if obtaining bids/offers are not feasible and appropriate, securities may be purchased utilizing the comparison to current market price method on an exception basis. Acceptable current market price providers include, but are not limited to:

- A. Telerate Information System
- B. Bloomberg Information Systems
- C. LSEG Refinitiv
- D. Wall Street Journal or a comparable nationally recognized financial publication providing daily market pricing
- E. Daily market pricing provided by the Board's custodian or their correspondent institutions

The \_\_\_\_\_ or the \_\_\_\_\_ shall utilize the competitive bid process to select the securities to be purchased or sold. Selection by comparison to a current market price, as indicated above, shall only be utilized when, in judgment of the Director of Accounting Services/CFO or the investment advisor, competitive bidding would inhibit the selection process.

Examples of when this method may be used include:

- A. When time constraints due to unusual circumstances preclude the use of the competitive bidding process
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- B. When no active market exists for the issue being traded due to the age or depth of the issue
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- C. When a security is unique to a single dealer, for example, a private placement
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- D. When the transaction involves new issues or issues in the "when issued" market

Overnight sweep repurchase agreements will not be bid but may be placed with the Board's depository bank relating to the demand account for which the repurchase agreement was purchased.

#### **AUTHORIZED INVESTMENTS AND PORTFOLIO COMPOSITION**

Investments should be made subject to the cash flow needs, such cash flows are subject to revisions as market conditions, and the Board's needs change. However, when the invested funds are needed in whole or in part for the purpose originally intended or for more optimal investments, the \_\_\_\_\_ may sell the investment at the then prevailing market price and place the proceeds into the proper account at the Board's custodian.

The following are the investment requirements and allocation limits on security types, issuers, and maturities as established by the Board. The \_\_\_\_\_ or the \_\_\_\_\_ shall have the option to further restrict investment percentages from time to time based on market conditions, risk, and diversification investment strategies. The percentage allocations requirements for investment types and issuers are calculated based on the original cost of each investment and the amount of available monies at the time investments are entered into. Investments not listed in this policy are prohibited without prior approval of the Board. In no event shall the Board approve the use of any investment vehicle not authorized under F.S. 281.415 or prohibited under F.S. 215.472.

The following limitations shall not restrict the Board's ability to place short term funds on deposit in demand deposit accounts with banks organized under the laws of this State and/or in National banks organized under the laws of the United States and doing business and situated in the State of Florida, provided that any such demand deposits are secured by the Florida Security for Public Deposits Act, F.S. Chapter 280.

- A. The Florida Local Government Surplus Funds Trust Fund ("SBAFlorida Prime") and Other Intergovernmental Investment Pools

- 1. Investment Authorization

The \_\_\_\_\_ may invest in the SBAFlorida Prime and other intergovernmental investment pools authorized pursuant to the Florida Interlocal Cooperation Act, as provided in F.S. 163.01.

- 2. Portfolio Composition

The \_\_\_\_\_ will determine the composition of this portfolio for this type of investment.

**Rating Requirements:** Eligible pools shall be rated "AAAm" or "AAAm G" or better by Standard & Poor's, or the equivalent by another rating agency. A maximum portfolio concentration of fifty percent (50%) of available monies may be invested in intergovernmental investment pools, with no more than thirty percent (30%) being invested in any one (1) pool.

- 3. Rating Requirements

Eligible pools shall be rated "AAAm" or "AAAm G" or better by the Standard & Poor's, or the equivalent by another rating agency.

B. United States Government Treasury Securities

1. Purchase Authorization

The \_\_\_\_\_ may invest in negotiable direct obligations, or obligations the principal and interest of which are unconditionally guaranteed by the United States Government. Such securities will include, but not be limited to the following:

Cash Management Bills  
Treasury Securities  
Treasury Bills  
Treasury Notes  
Treasury Bonds  
Treasury Strips

2. Portfolio Composition

The \_\_\_\_\_ will determine the composition of this portfolio for this type of investment up to a maximum portfolio concentration of 100% of available monies.

3. Maturity Limitations

The maximum length to maturity of any direct investment in the United States Government Securities is five (5) years from the date of purchase.

C. United States Government Agencies/Agency Securities

1. Purchase Authorization

The \_\_\_\_\_ may invest in bonds, debentures, notes or callables issued or guaranteed by the United States Government's agencies, provided such obligations are backed by the full faith and credit of the United States Government. Such securities will include, but not be limited to the following:

United States Export-Import Bank  
— Direct obligations or fully guaranteed certificates of beneficial ownership  
Farmer Home Administration ("FmHA")  
— Certificates of beneficial ownership  
Federal Financing Bank  
— Discount notes, notes and bonds  
Federal Housing Administration Debentures  
General Services Administration  
United States Maritime Administration Guaranteed  
— Title XI Financing  
New Communities Debentures  
— United States Government guaranteed debentures  
United States Public Housing Notes and Bonds  
— United States Government guaranteed public housing notes and bonds  
United States Department of Housing and Urban Development  
— Project notes and local authority bonds

2. Portfolio Composition

The \_\_\_\_\_ will determine the composition of this portfolio for this type of investment up to a maximum portfolio concentration of fifty percent (50%) of available monies. The maximum concentration for any one (1) agency is twenty-five percent (25%), with a maximum portfolio concentration of ten percent (10%) in any one (1) issue.

3. Limits on Individual Issuers

A maximum of twenty-five percent (25%) of available funds may be invested in individual

United States Government agencies.

4. Maturity Limitations

The maximum length to maturity for an investment in any United States Government agency security is five (5) years from the date of purchase.

D. Federal Instrumentalities (United States Government sponsored agencies)

1. Purchase Authorization

The \_\_\_\_\_ may invest in bonds, debentures, notes or callables issued or guaranteed by United States Government sponsored agencies (Federal instrumentalities) which are non full faith and credit agencies limited to the following:

Federal Farm Credit Bank (FFCB)

Federal Home Loan Bank or its district banks (FHLB)

Federal National Mortgage Association (FNMA)

Federal Home Loan Mortgage Corporation (Freddie Macs) including Federal Home Loan Mortgage Corporation participation certificates

Student Loan Marketing Association (Sallie Mae)

2. Portfolio Composition

The \_\_\_\_\_ will determine the composition of this portfolio for this type of investment up to a maximum combined portfolio concentration of thirty percent (30%) of available monies in all such investments with a maximum of twenty percent (20%) in any one (1) agency and a maximum of ten percent (10%) in any one (1) issue.

3. Limits on Individual Issuers

A maximum of forty percent (40%) of available funds may be invested in any one issuer.

4. Maturity Limitations

The maximum length to maturity for an investment in any Federal instrumentality security is five (5) years from the date of purchase.

E. Corporate Note

1. Purchase Authorization

The CFO may invest in notes or bonds issued by corporations rated at least "Aa" by Moody's and "AA" by Standard & Poor's, provided that such corporations are not on negative credit watch or negative outlook by the rating agencies at the time of purchase.

2. Portfolio Composition

A maximum of twenty percent (20%) may be invested in corporate securities. No more than five percent (5%) of available funds may be invested with any one (1) issuer of such notes.

3. Maturity Limitations

The maximum weighted average life on any certificate shall be no greater than three (3) years plus two (2) weeks from date of purchase.

F. Interest Bearing Time Deposit or Saving Accounts

1. Purchase Authorization

The \_\_\_\_\_ may invest in non-negotiable interest bearing time

certificates of deposit or savings accounts in banksfinancial institutions organized under the laws of this State and/or in national banks organized under the laws of the United States and doing business and situated in the State of Florida, provided that any such deposits are secured by the Florida Security for Public Deposits Act, F.S. Chapter 280. Additionally, the bankfinancial institution shall not be listed with any recognized credit watch information service. In addition, the District may place money in interest bearing accounts which are initially deposited with a Florida QPD and are 100% FDIC insured.

2. Portfolio Composition

The \_\_\_\_\_ will determine the composition of this portfolio for this type of investment up to a maximum portfolio concentration of forty percent (40%) of available monies.

3. LimitsLimitation on Individual Issuers

A maximum of fifteentwenty five percent (125%) of available funds may be deposited with any one issuer(1) depository.

4. Purchase Authorization

The maximum maturity on any certificate shall be no greater than one (1) yeareighteen (18) months from the date of purchase without prior approval of the Board.

G. Qualified Public Deposits

1. Purchase Authorization

The CFO may place monies in demand deposit accounts with financial institutions organized under the laws of this State and/or in National financial institutions organized under the laws of the United States and doing business and situated in the State of Florida, provided that any such deposits are secured by the Florida Security for Public Deposits Act, F.S. Chapter 280.

2. Limitation on Concentration

This policy does not limit the amount the CFO may deposit in such financial institutions, provided that the institution shall not be listed with any recognized credit watch information service and shall have a collateral requirement not higher than fifty percent (50%) as determined by the Florida Treasury's Bureau of Collateral Management.

H. FDIC Insured Deposits

1. Purchase Authorization

The CFO may invest in depository products that are fully guaranteed by FDIC insurance and meet the requirements set forth in F.S. 218.415(23).

2. Limitation on Concentration

A maximum of fifty percent (50%) may be placed in FDIC insured deposits as described in F.S. 218.415(23).

I. Repurchase Agreements

1. Purchase Authorization

a. The \_\_\_\_\_ may invest in repurchase agreements composed of only those investments based on the requirements set forth by the District's master repurchase agreement. All firms are required to sign the master repurchase agreement prior to the execution of a repurchase agreement

transaction.

- b. A third party custodian with whom the District has a current custodial agreement shall hold the collateral for all repurchase agreements with a term longer than one (1) business day. A clearly marked receipt that shows evidence of ownership must be supplied to the Director of Accounting Services CFO and retained.
- c. Securities authorized for collateral are negotiable direct obligations of the United States Government, Government Agencies, and Federal instrumentalities with maturities under five (5) years and must have a market value for the principal and accrued interest of 102% of the value and for the term of the repurchase agreement. Immaterial short term deviations from 102% requirement are permissible only upon the approval of the Director of Accounting Services CFO.

2. Portfolio Composition

The \_\_\_\_\_ will determine the composition of this portfolio for this type of investment up to a maximum portfolio concentration of fifty percent (50%) without prior approval of the Board.

3. Limits on Individual Issuers

A maximum of No more than twenty five percent (25%) of available funds may be invested with any one institution issuer.

4. Limits on Maturities

The maximum length to maturity of any repurchase agreement is sixty (60)ninety (90) days from the date of purchase.

5. Exception for Debt Proceeds

For repurchase agreements used for debt issue proceeds that do not contain authorized investment language in the governing legal documents for such issue different from those contained in this policy, the above requirements may be modified for the investment of such proceeds upon prior approval of the Board.

J. Commercial Paper

1. Purchase Authorization

The \_\_\_\_\_ may invest in commercial paper of any United States company that is rated, at the time of purchase, "Prime 1" by Moody's and "A-1" by Standard & Poor's (prime commercial paper). If the commercial paper is backed by a letter of credit ("LOC"), the long term debt of the LOC provider must be rated "A" or better by at least two (2) nationally recognized rating agencies.

2. Portfolio Composition

The \_\_\_\_\_ will determine the composition of this portfolio for this type of investment up to a maximum portfolio concentration of twenty five percent (25%) without prior approval of the Board.

3. Limits on Individual Issuers

A maximum of ten percent (10%) of available funds may be invested with any one issuer.

4. Maturity Limitations

The maximum length to maturity for prime commercial paper shall be 180270 days from the date of purchase.

K. Bankers' Acceptances

1. Purchase Authorization

The \_\_\_\_\_ may invest in bankers' acceptances issued by a domestic bank or a federally chartered domestic office of a foreign bank, which are eligible for purchase by the Federal Reserve System, at the time of purchase, the short term paper is rated, at a minimum, "P-1" by Moody's Investors Services and "A-1" Standard & Poor's.

2. Portfolio Composition

The \_\_\_\_\_ will determine the composition of this portfolio for this type of investment up to a maximum portfolio concentration of ten percent (10%) without prior approval of the Board.

3. Limits on Individual Issuers

A maximum of ten percent (10%) of available funds may be invested with any one issuer.

4. Maturity Limitations

The maximum length to maturity for bankers' acceptances shall be 180 days from the date of purchase.

L. State and/or Local Government Taxable and/or Tax Exempt Debt

1. Purchase Authorization

The \_\_\_\_\_ may invest in State and/or local government taxable and/or tax exempt debt, general obligation and/or revenue bonds, rated at least "Aa" by Moody's and "AA" by Standard & Poor's for long term debt, or rated at least "MIG 2" by Moody's and "SP 2" by Standard & Poor's for short term debt "A2" by Moody's and "A" by Standard & Poor's for long term debt, or rated at least "MIG 1" by Moody's and "SP 1" by Standard & Poor's for short term debt or the equivalent by another Nationally Recognized Statistical Rating Organization ("NRSRO").

2. Portfolio Composition

The \_\_\_\_\_ will determine the composition of this portfolio for this type of investment up to a maximum portfolio concentration of twenty percent (20%) without prior approval of the Board.

3. Limits on Individual Issuers

A maximum of ten percent (10%) of available funds may be invested with any one (1) issuer.

4. Maturity Limitations

A maximum length to maturity for an investment in any State or local government debt security is three (3) years from the date of purchase.

M. Registered Investment Companies (Mutual Funds)

1. Investment Authorization

The \_\_\_\_\_ may invest in shares in open end, no load provided such funds are registered under the Federal Investment Company Act of 1940 and operated in accordance with 17 C.F.R. 270.2a-7. In addition, the Director of Accounting Services may invest in other types of mutual funds provided such funds are registered under the Federal Investment Company Act of 1940, invest exclusively in the securities specifically permitted

under this investment policy, and are similarly diversified.

2. Portfolio Composition

The \_\_\_\_\_ will determine the composition of this portfolio for this type of investment up to a maximum portfolio concentration of fifty percent (50%) for such funds invested in United States Treasury securities and overnight repurchase agreements collateralized by United States Treasury securities. Other eligible funds are limited to a maximum of twenty five percent (25%) without prior approval of the Board.

3. Limits of Individual Issuers

A maximum of twenty five percent (25%) of available funds may be invested with any one non SEC Rule 2a-7 investment mutual fund.

4. Rating Requirements

The mutual funds shall be rated "Aam""AAam" or "AAm C" or better by Standard & Poor's, or the equivalent by another rating agency.

5. Due Diligence Requirements

A thorough review of any investment mutual fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed by the \_\_\_\_\_ that will contain a list of questions that covers the major aspects of any investment pool/fund.

N. Intergovernmental Investment Pool

1. Investment Authorization

The \_\_\_\_\_ may invest in intergovernmental investment pools that are authorized pursuant to the Florida Interlocal Cooperation Act, as provided in F.S. 163.01 and provided that said funds contain no derivatives.

2. Portfolio Composition

The \_\_\_\_\_ will determine the composition of this portfolio for this type of investment.

3. Due Diligence Requirements

A thorough review of any investment pool/fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed by the \_\_\_\_\_ that will contain a list of questions that covers the major aspects of any investment pool/fund.

#### **DERIVATIVES AND REVERSE REPURCHASE AGREEMENTS**

Investment in any derivative products or the use of reverse repurchase agreements requires specific Board approval prior to their use. If the Board approves the use of derivative products, the \_\_\_\_\_ and the \_\_\_\_\_

shall develop sufficient understanding of the derivative products and have the expertise to manage them. A "derivative" is defined as a financial instrument the value of which depends on, or is derived from, the value of one or more underlying assets or indices or asset values. If the Board approves the use of reverse repurchase agreements or other forms of leverage, the investment shall be limited to transactions in which the proceeds are intended to provide liquidity and for which the \_\_\_\_\_ and the \_\_\_\_\_

have sufficient resources and expertise to manage them.

## **PERFORMANCE MEASUREMENTS**

In order to assist in the evaluation of the portfolio's performance, the Board will use performance benchmarks for short term and long term portfolios. The use of benchmarks will allow the Board to measure its returns against other investors in the same markets.

- A. The Treasury Indices, State Board of Administration's Local Government Surplus Funds Trust Fund ("SBA Pool"), and money fund index or the weighted average performance of the ten (10) largest prime funds, or other money fund indices (such as government fund indices) as appropriate, will be used as a benchmarks as compared to the portfolios' net book value rate of return for current operating (short term) funds. Investment performance of funds designated as short term funds and other funds that must maintain a high degree of liquidity will be compared to the return of the Florida State Board of Administration Local Government Investment Pool (Florida Prime), or the S&P Rated GIP Index Government 30 Day Yield (gross of fees), or other comparable money fund index, such as those provided by iMoney.net and/or Crane Data.
- B. Investment performance of funds designated as core funds and other non operating funds that have a longer term investment horizon will be compared to an index comprised of U.S. Treasury, agency, or government U.S. Government securities. The appropriate index will have a duration and asset mix that approximates the portfolios and will be utilized as a benchmark to be compared to the portfolios total rate of return.
- C. Investment advisors will report performance on both book value and total rate of return basis and compare results to the above stated benchmarks.

## **REPORTING**

The \_\_\_\_\_ CFO \_\_\_\_\_ shall provide the Board with summary monthly quarterly investment financial reports. The reports shall provide an overview of invested monies, the types of investments/securities in use, amounts invested, market value of investments, and the return on such investments.

On an annual basis, the \_\_\_\_\_ CFO \_\_\_\_\_ shall prepare and submit to the Board a written report on all invested funds, as a part of the Superintendent's annual financial report. The annual report shall provide all, but not limited to, the following: a complete list of all invested funds, name or type of security in which the funds are invested, the amount invested, the maturity date, earned income, the book value, the market value and the yield on each investment.

The annual report will show performance on both a book value and total rate of return basis and will compare the results to the above stated performance benchmarks. All investments shall be reported at fair value per GASB standards. Investment reports shall be available to the public.

## **THIRD-PARTY CUSTODIAL AGREEMENTS**

Securities, with the exception of certificates of deposits, shall be held with a third party custodian; and all securities purchased by, and all collateral obtained by, the Board should be properly designated as an asset of the Board. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal government, the State of Florida, or any other State or territory of the United States which has a branch or principal place of business in the State of Florida as defined in F.S. 658.12, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. Certificates of deposits will be placed in the provider's safekeeping department for the term of the deposit.

The custodian shall accept transaction instructions only from those persons who have been duly authorized by the Superintendent and which authorization has been provided, in writing, to the custodian. No withdrawal of securities, in whole or in part, shall be made from safekeeping, shall be permitted unless by such a duly authorized person.

The custodian shall provide the \_\_\_\_\_ with safekeeping receipts that provide detail information on the securities held by the custodian. Security transactions between a broker/dealer and the custodian involving the purchase or sale of securities by transfer of money

or securities must be made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. Securities held as collateral shall be held free and clear of any liens.

#### **INVESTMENT POLICY ADOPTION**

The investment policy shall be adopted by Board resolution. The \_\_\_\_\_ and the \_\_\_\_\_ shall review the policy annually in November and the Board shall approve any modification made thereto.